



400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: September 17, 2008

To: Owners, Management Agents and Certified Public Accountants

From: Denise Holter, Manager, Multifamily Loan Portfolio

Contact: Fatu Wensman: 651-296-3376 or Steve O'Brien: 651-297-4065

Subject: Audit Guide - Effective Fiscal Year End December 31, 2008

The Minnesota Housing Regulatory Agreement requires the mortgagor to furnish a set of financial statements following the end of each fiscal year. The financial statements must be in accordance with the Generally Accepted Accounting Principles and accompanied by an opinion of an independent certified public accountant (CPA) licensed to practice in the State of Minnesota. Neither the owner nor the management agent may place any limitation on the scope of the CPA's examination of the financial statements. Please review the Regulatory Agreement and Housing Assistance Payment Contract (if applicable) and/or refer to the following table to determine the type of engagement required, the submission deadline, etc for your development.

Program	Type of assistance	Guideline to follow	Due after FYE	Type of engagement	# of copies
HRS*	Section 236	Minnesota Housing	60 days	Full audit	2
HUD insured	Section 236	Minnesota Housing	90 days	Full audit	1
HUD insured	Section 8	HUD	90 days	Full audit	1
Prepaid Mortgage	Section 8	Minnesota Housing	90 days	Compilation/review	1
G.O. Bonds**		Minnesota Housing	90 days	Full audit	1
All other***		Minnesota Housing	90 days	Full audit	1

* HUD Risk Share

** Government Obligation Bonds. Applies to publicly owned housing funded by the State Finance. Can be a compilation after the first 2 years of operations upon Minnesota Housing's authorization

*** All other: LMIR, PARIF, Section 8, ELHIF, NCTC (Tax credit). See detail under Housing Resource Summary at: http://www.mnhousing.gov/housing/servicing/MHFA_004834.aspx

Please note that as a result of the change from cash basis reporting to accrual basis reporting of monthly operating data to Minnesota Housing effective January 1, 2008, the Reconciliation of Minnesota Housing Form 256B to the Audit is no longer required and the following Notes and Supplemental Information have been added:

Minnesota Housing finances
and advances affordable housing
opportunities for low and moderate
income Minnesotans to
enhance quality of life and foster
strong communities.

Notes:

- Explanation and breakdown of all mortgages and loans payable (including current maturities and accrued interests)
- Summary of contingencies

Supplemental Information:

- Schedule of Non-Tenant Receivables
- Schedule of Restricted Escrow Deposits and Reserves
- Reconciliation of Approved and Paid Distributions
- Net Operating Income Computation

The financial statements are reviewed by Minnesota Housing to determine the adequacy and accuracy of the monthly operating reports submitted to the Agency by the management agent and to calculate the allowable partnership distribution if any to the partnership or nonprofit entity (if applicable). To expedite this review, Minnesota Housing requires that the following statements, notes and supplemental information be included in each of the following reports:

Full Audit

A- Comparative Statements

- 1- Balance Sheets
- 2- Statement of Operations
- 3- Statement of Cash Flows
- 4- Statement of Partners' Capital

B- Notes

- 1- Description of organization
- 2- Summary of significant accounting policies (to include basis of financial statements presentation)
- 3- Explanation of partners' capital contributions
- 4- Explanation and breakdown of all mortgages and loans payable (including current maturities and accrued interests) (new)
- 5- Explanation of transactions with affiliates and all related parties
- 6- Summary of contingencies (new)

C- Supplemental Information

- 1- (Comparative) Schedule of Revenues and Expenses
- 2- (Comparative) Schedule of Cash Balances
- 3- (Comparative) Schedule of Accounts Payable
- 4- (Comparative) Schedule of Non-Tenant Receivables (new)
- 5- (Comparative) Schedule of Accrued Expenses
- 6- Statement of Changes in Fixed Asset Accounts
- 7- Schedule of Restricted Escrow Deposits and Reserves (new)
- 8- Reconciliation of Approved and Paid Distributions (new)
- 9- Net Operating Income Computation (new)
- 10- Report on Internal Control
- 11- Schedule of Partners
- 12- Mortgagor Certification

Compilation or Review

- 1- (Comparative) Balance Sheets
- 2- (Comparative) Statement of Operations
- 3- (Comparative) Statement of Cash flows
- 4- Notes to Financial Statements
- 5- Mortgagor Certification

The above information is the minimum requirement to be presented in the financial statements submitted to Minnesota Housing. If, in the CPA's judgment, more information is necessary to present a clearer picture of the development's financial position, such information should be included. Also, if the owner should desire that other information be presented, such information should be included as well.

FINANCIAL STATEMENTS THAT DO NOT MEET THE MINIMUM REQUIREMENTS WILL NOT BE ACCEPTED BY MINNESOTA HOUSING.

Please refer to the revised “**Appendix to Audit Guide- Effective with 12-31-08 Audit**” for a sample format and/or general guidance to assist in preparing the required statements and supplemental information. This document can be accessed on our website at: www.mnhousing.gov. Go to “Developers, Owners”, go to “Management Agents” and go to “Asset Management” or at <http://www.mnhousing.gov/housing/management/asset/index.aspx>